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Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1]
[MX]

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

TAX ON HFCS WILL CONTINUE DESPITE THE WTO DEMAND

Concerning the demand that the United States put before the WTO on the Mexican special 20-percent tax on the use of HFCS in beverages, the Mexican Secretary of Economy, Fernando Canales, indicated that "since each country is sovereign to establish taxes that the Congress considers relevant, Mexico can establish the fiscal regime according to its constitutional roles." On the other hand, Canales added that Mexico is looking to reach an agreement with the United States on HFCS before any resolution is reached at the WTO. One option is to have the United States buy a sugar quota of about 500,000 MT, which is currently used by the soda industry. (Sources: *Financiero, La Jornada, El Economista, Excelsior* and *Reforma*, 3/18/04)

MEXICO-UNITED STATES CLOSE TO A SWEETENER AGREEMENT

The President of the Chamber for the Sugar and Alcohol Industries, Jose Octavio Menchaca, said that the U.S. demand for the removal of the Mexican special tax on HFCS use on beverages at the WTO is out of place. Mr. Menchaca indicated that representatives of producers of sugar, fructose, and corn from the United States would meet this week in Texas with executives and lawyers of the Mexican chain sugarcane producers. Mr. Menchaca pointed out that there is goodwill on both sides and rather than waiting until 2008, a draft agreement has been prepared that ratifies the intention of creating a regional market of sugar and fructose eliminating barriers to trade between both countries. (Source: *Financiero*, 3/22/04)

POULTRY PRODUCERS COULD REQUEST A CLOSING OF THE BORDER

Poultry producers in Mexico warned that if the United States does not comply with opening the border to Mexican poultry exports, they will request that the Mexican government stop U.S. poultry imports. The President of the Poultry Producers Association (UNA), Cesar de Anda, protested against the U.S. government because it was agreed that they would allow Mexican imports of poultry cuts with aggregated value and processed eggs effective during the month of March. However, the opening of the border has not taken place. Therefore, UNA is considering hardening their position and could request the closing of the border to U.S. poultry imports. UNA indicated that the United States insisted on the opening of the Mexican border after the ban, and Mexico agreed to partially open the border, however, de Anda claimed that poultry producers have not been able to access the U.S. market in ten years. (Source: *Reforma*, 3/22/04)

THE NAFTA BINATIONAL PANEL ON BEEF CONTROVERSY DECIDES FAVORABLY FOR THE UNITED STATES

According to local newspapers, the panel for solving controversies in NAFTA said that Mexico was not able to demonstrate that beef meat imports from the United States were damaging domestic industry. The decision could end the antidumping duties that Mexico applies to beef meat imports from the United States. Nevertheless, the Mexican government has 90 days to present justification for the duties applied to beef imports from the United States in a dispute that began in 1998. (Sources: *Milenio* and *Reforma*, 3/17/04)

IN HEAVEN THERE IS NO BEER; THAT'S WHY THEY BREW IT IN MEXICO

Mexico is the seventh largest beer brewing country in the world and beer exports bring in US$1.2 billion in foreign exchange every year. This industry, with breweries in 11 states, contributes 1.6 percent of total gross domestic product (GDP), employs 88,000 people directly and generates another 880,000 indirect jobs. In addition, the industry contracts with 92,000 barley growers, giving them technical and financial support. Over the past few years the brewing industry has invested an average of US$700 million per year, enabling it to become the third largest beer exporter in the world and the most important exporter to the U.S. market. (Source: *El Financiero*, 3/17/04)

SMUGGLING OF DRY BEANS

National producers announced that dry beans coming from the United States and Canada have been smuggled into Mexico as the borders are closed to these imports. Laboratory analysis shows that U.S. dry beans that are being sold in Mexico's markets, such as in Guadalajara's "Central de Abastos," have between ten and 14 degrees of humidity. This percentage is similar to that which is registered during the crop period. Consequently, it is concluded that these dry beans have been harvested within three-four months prior to entering Mexico. (Source: *Reforma*, 3/17/04)

DRY BEAN IMPORTS THROUGH COURT INJUNCTIONS

The General Customs Administrator, Jose Guzman-Montalvo, stated that foreign dry beans that have been imported to Mexico recently were allowed through court injunctions, although legal, are considered "technical smuggling." This practice has been growing since the beginning of 2003. (Source: *Reforma*, 3/18/04)

DRY BEANS IMPORTERS EVADE TAXES

According to a local newspaper, the company "Comercializadora Paniagua" imported 20,000 MT of U.S. pinto beans last September 2003 and instead of paying import duties in the amount of 95,000 pesos (roughly US$8,630), it only paid 161 pesos (US$14.60). This company obtained a court injunction against import tariffs applied in Mexico thereby seeking protection in the courts and using the system to avoid paying import tariffs. This company, as well as dozens of other dry bean importers, takes advantage of the legal system and the time in which the Government of Mexico decides whether they should pay import duties, to sell their products at a price below that of domestic merchants. (Source: *Reforma*, 3/22/04)

FAVORABLE OUTLOOK FOR ORGANIC PRODUCTS

Mexican exports of organic food products will receive a boost at the end of March 2004, thanks to a private national certification program accredited by DAP, the non-governmental organization that is a member of the International Accreditation Forum. Certimex, the

Mexican firm launching the certification program, says that Mexico exports a number of organic products, including coffee, honey, cocoa, sesame, plantains and soap, to 35 countries. At present, the producers, mostly small farmers, have to contract with international certifying agencies to verify that the products as organic. The cost of these agencies' services is US$300 to US$320 per day, whereas Certimex will charge US$100 for the same service. (Source: *El Financiero*, 3/22/04)

INFORMAL SECTOR ACCOUNTS FOR ABOUT ONE QUARTER OF GDP

A recently released study from the Autonomous University of Nuevo Leon (*Universidad Autonoma de Nuevo Leon*), states that the informal economy accounts for 24.6 to 26 percent of Mexican gross domestic product (GDP). The study also states that the role of the informal economy increases as the size of the city decreases and can account for up to 69 percent of economic activity in smaller Mexican cities. The study puts the overall value of the informal economy at almost 442 billion pesos (about US$40 billion). (Source: *El Financiero*, 3/17/04)

REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

Number	Title	Date
MX4037	Weekly Highlights & Hot Bites Issue #1	3/16/04
MX4038	Poultry Ban Partially Lifted	3/18/04

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